United States Court of Appeals

for the Second Circuit

APPELLANT'S BRIEF

75-7678

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FOR THE SECOND CIRCUIT

TEXACO INC.,

Plaintiff-Appellee,

v.

ALLIED CHEMICAL CORPORATION,

Defendant-Appellant.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

BRIEF FOR APPELLANT ALLIED CHEMICAL CORPORATION

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TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases

Statutes

Miscellaneous

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I.

STATEMENT OF THE ISSUES PRESENTED FOR REVIEW

Appellant, Allied Chemical Corporation, ("Allied") appeals from the Order dated November 6, 1975 (App. 319a-323a)[1] and the Order for Preliminary Injunction pursuant thereto dated November 12, 1975 (App. 324a-325a) of the United States District Court for the Southern District of New York by the Hon. Lawrence W. Pierce. The orders are not reported.

The injunction halted proceedings in a state court action instituted by Allied in Texas. Prior to entry of the injunction, Texaco unilaterally removed the action to the United States District Court for the Eastern District of Texas

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[1] References are to the printed Appendix accompanying this brief.

and Allied moved to remand. The remand motion has been frozen by the injunction and remains undetermined.

The issues are:

(1) Whether the district court may avoid the strict limitations of the federal Anti-Injunction Statute (28 U.S.C. § 2283)[2] by enjoining proceedings in an action removed from state to federal court before that federal court determines that it has subject matter jurisdiction of the action;

(2) Whether the injunction against the Texas proceeding is within any of the strictly construed exceptions to the Anti-Injunction Statute; and

(3) Whether the appropriate forum for trial of this controversy is Texas or New York.

II.

STATEMENT OF THE CASE

This action was brought by Texaco against Allied alleging, *inter alia*, unfair competition and infringement by Allied of Texaco's federally registered trademark TEXACO and other marks having the prefix "TEX". Allied's accused conduct involves the use by its Union Texas Petroleum Division of the trademark TEXGAS on and in connection with the sale of gasoline, motor oil, and liquified petroleum gas ("LP gas"). The Union Texas Petroleum Division of Allied is based in Houston, Texas, from which location its activities are directed. Use of the TEXGAS mark by Allied and its predecessors has been continuous since 1954.

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[2] Section 2283 provides: "A court of the United States may not grant an injunction to stay proceedings in a State court except as expressly authorized by Act of Congress, or where necessary in aid of its jurisdiction, or to protect or effectuate its judgments."

Allied moved to transfer this action from New York City, where Allied sells no goods under the TEXGAS mark, to the Southern District of Texas (Houston Division). Allied's wholly-owned subsidiaries Texgas Corporation ("Texgas Corp.") and Texgas Service Stations, Inc. ("TSSI"), principal users of the TEXGAS mark, also have their principal places of business in Houston. The Southwest, principally Texas, is where use of the TEXGAS mark originated over twenty years ago. Allied's motion was denied (App. 220a).

Allied, Texgas Corp., and TSSI then brought an action in Texas state court (Docket No. E-102534 in the District Court of Jefferson County, Texas, the "Texas action") for a declaration of their rights in Texas, under Texas state law and in view of Texaco's state trademark registrations in Texas. Allied sought a declaration that the use of the mark TEXGAS in connection with gasoline, motor oil, and LP gas was not an infringement of these state registrations, and that Allied's use in Texas was not an infringement of any rights of Texaco. Allied's Original Petition in the Texas action is reproduced at App. 282a-290a.

Texaco moved to enjoin Allied from proceeding with the Texas action. A hearing on that motion was had before the district court, at which Allied agreed it would not require Texaco to file its answer or submit to discovery in the Texas action until the district court ruled on the injunction sought by Texaco. Later that same day Texaco filed its Petition for Removal in the Texas action (App. 365a-375a), removing that action to the United States District Court for the Eastern District of Texas.

Allied, Texgas Corp., and TSSI thereupon moved (App. 378a-393a) to remand the Texas action to the state court on the ground that the removal was improper because the federal court lacked subject matter jurisdiction.

The district court, by its Order dated November 6, 1975 (App. 319a-323a), granted Texaco's motion for an injunction restraining Allied and those in active concert with Allied from proceeding in any manner in the Texas action. Pursuant to that Order, the district court signed its Order for Preliminary Injunction dated November 12, 1975 (App. 324a-325a). The Texas federal court has not ruled on the remand motion since the injunction intervened, and Allied has not been permitted to have contact with that court.

In its Order dated November 6, 1975, the district court made two findings of fact:

> 1. The Court finds that the action commenced by Allied in Texas court is concerned with substantially the same subject matter and seeks substantially the same relief as the action before this Court.
>
> 2. The Texas action brought by Allied, originally commenced in Texas state court, is now in Texas federal court.

Despite the latter finding of fact, the district court's Conclusions of Law included the following:

> 6. The Court has found that the Texas action is presently in Texas federal court; however, even if the Texas action is considered to be a state action, it is established law that "federal injunctive relief may be necessary to prevent a state court from so interfering with a federal court's consideration or disposition of a case as to seriously impair the federal court's flexibility and authority to decide that case." . . .

Hence, the district court concluded that its injunction was proper in the face of the federal Anti-Injunction Statute, 28 U.S.C. § 2283.

Following entry of the injunction, Allied moved for modification of the injunction at least to permit the Texas federal

court to consider remand of the Texas action to state court (App. 326a-339a). This was denied for the same reasons stated in the district court's Order of November 6, 197 which initially granted the injunctive relief (App. 328a).

III.

SUMMARY OF THE ARGUMENT

The federal Anti-Injunction Statute, 28 U.S.C. § 2283, represents one of the strongest expressions of our constitutional principles of federalism. This statute prohibits federal courts from interfering with state court proceedings "except as expressly authorized by Act of Congress, or where necessary in and of its jurisdiction, or to protect or effectuate its judgments."

In this brief, Allied will establish:

1. The statutory prohibitions against enjoining a state action apply equally to an action unilaterally removed to federal court before proper removal jurisdiction is determined by that court. The injunction must be considered as one against a state court action, and be justified under one of the statutory exceptions of Section 2283.

2. The district court erred as a matter of law in concluding that an injunction was proper, since none of the enumerated exceptions of 28 U.S.C. § 2283 exists in this case.

3. The Texas action should be permitted to proceed, and Allied should be accorded relief in the form of a stay of district court proceedings in New York at least for a time equal to the period for which the improper injunction was in effect.

4. The injunction would be improper even if it were directed to a federal court action in which the remand motion had been properly denied. This Court is requested to review the matter of what is the most

appropriate forum, and dissolve the injunction insofar as it may be directed against a federal action in Texas, or, alternatively, to reverse the denial of the transfer motion and transfer this case to the Southern District of Texas.

IV.

ARGUMENT

A. The Texas Action May Not Be Regarded As "In Federal Court" For Purposes Of Avoiding The Strictures Of Section 2283

On October 23, 1975, Texaco moved for a temporary restraining order before Judge Pierce seeking to enjoin the proceedings in the Texas state court. At that time, the Texas case was in *state* court, since the Petition for Removal had not been filed in the federal district court.[3] Judge Pierce did not enter a temporary restraining order but, on November 6, 1975, entered his "Order" (App. 319a) indicating a preliminary injunction was proper. By that date removal had been effected and a remand petition had been filed by Allied in the Texas federal court. That remand petition has not been considered since Texaco has repeatedly, and unilaterally, encouraged the Texas federal court to place the Texas case on an "inactive docket" (see Addendum to this brief) while Allied has been enjoined from taking any action on the case.

In its November 6, 1975, Order the district court made no *finding* that the Texas action is *in federal court*. Although the district court indicated at a later point in its Order that the injunction was deemed proper even if

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[3] The Petition for Removal was filed in the U. S. District Court for the Eastern District of Texas the same day, October 23, 1975, but later in the day than when the Motion for a Temporary Restraining Order was made. (App. 275a).

directed to a state action, there was an indication that it was relying in part upon the jurisdiction of the federal court over the removed action, unilaterally invoked by Texaco and as yet undetermined, as partial basis for its decision.

The prohibition of 28 U.S.C. § 2283 may not be subverted by filing a petition to remove the Texas action to federal court, and enjoining the action prior to consideration of remand. The propriety of the district court's injunction must be determined against the strict limitations of Section 2283. *Higgins* v. *California Prune & Apricot Grower Inc.*, 3 F.2d 896 (2d Cir. 1924) (L. Hand, J.).

In the *Higgins* case, plaintiff had brought federal actions in the Southern District of New York, the Southern District of California, and the Northern District of California before bringing a California state court action against defendants. Defendants removed the state court action to federal court and obtained an injunction from the court in New York against further proceedings in the removed California action. Judge Learned Hand of this Court vacated the injunction and stated:

> However, it does not seem to us important whether [the state action] was de facto in the federal court until remand, or whether it has never been removed at all, because the rights of the parties cannot in our judgment be made to depend upon such niceties. We think it apparent that section 265 [the predecessor of 28 U.S.C. § 2283] may not be evaded by such a subterfuge, and that appellees may not accomplish in two steps what they concededly could not do in one. *If one has only to file removal papers in the teeth of the statute, and then lock the cause in the federal court by an injunction, the whole purpose of the act is defeated. The section represents a policy nearly as old as the Constitution itself, and is not to be circumvented by a contrivance which the law does not warrant.* (3 F.2d at 898, emphasis added).

The *Higgins* case expressly refutes the concept that the untested jurisdiction of a federal court over a removed action, prior to a remand determination, may be used to avoid the purpose of Section 2283. The federal court to which a state action is removed must determine whether it has jurisdiction over the subject matter of the removed action. See, for example, *McRae* v. *Arabian American Oil Co.*, 293 F. Supp. 844, 846 (S.D.N.Y. 1968); *Teeter* v. *Iowa-Illinois Gas & Electric Co.*, 237 F. Supp. 961, 962 (N.D. Iowa 1964). The rule is well settled that one seeking to invoke a federal court's jurisdiction must demonstrate its existence, and the presumption is that the court lacks jurisdiction until such jurisdiction is shown to exist. C. Wright, Federal Courts § 7, at 15 (1970). In remand cases, however, the unilateral filing of a removal petition immediately halts all the state court proceedings unless and until the case is remanded. *Lowe* v. *Jacobs*, 243 F.2d, 432, 433 (5th Cir.), *cert. denied*, 355 U.S. 842, 78 S.Ct. 65 (1957).

In vacating the injunction against proceedings in the removed California action in *Higgins*, this Court recognized that if an improper removal petition could be used to support an injunction which would place a removed action in limbo in federal court, the purpose of Section 2283 would be wholly frustrated. Such a result should not be permitted, and the prohibition of Section 2283 against enjoining state court proceedings must be applied as well to proceedings removed from state to federal court — at least until such time as that federal court determines that it has jurisdiction over the proceedings sought to be enjoined.

In the present case, Allied and its subsidiaries have sought remand of the Texas action to the state court. The Texas federal court's consideration of Allied's motion has been frustrated by Texaco's suggestions to that court that the action be placed on the court's inactive docket pending

determination of this appeal. (See Addendum following this brief.) Allied is presently enjoined from pursuing a proper remand of the Texas action, and the erroneousness of that injunction is evident. The injunction must not be permitted to stand on the basis that the Texas federal court has jurisdiction arising from the mere filing of a removal petition.

B. Section 2283 Is An Express Limitation On The Power Of A Federal Court To Interfere In State Litigation

Under the fundamental principles of federalism, the power of the district court to enjoin Allied from proceeding in the Texas action is governed by the federal Anti-Injunction Statute, 28 U.S.C. § 2283, which provides:

> A court of the United States may not grant an injunction to stay proceedings in a State court except as expressly authorized by Act of Congress, or where necessary in aid of its jurisdiction, or to protect or effectuate its judgments.

The Anti-Injunction Statute is more than an expression of comity; it mandates an express limitation on the *power* of federal courts to enjoin state court proceedings. That limitation was clearly expressed by the Supreme Court in *Atlantic Coast Line Railroad Co.* v. *Brotherhood of Locomotive Engineers*, 398 U.S. 281, 90 S.Ct. 1739 (1970):

> On its face the present Act [28 U.S.C. § 2283] is an absolute prohibition against enjoining state court proceedings, unless the injunction falls within one of three specifically defined exceptions. The respondents here have intimated that the Act only establishes a "principle of comity," not a binding rule on the power of the federal courts. The argument implies that in certain circumstances a federal court may enjoin state court proceedings even if that action cannot be justified by any of the three exceptions. . . . [*A*]*ny injunction*

> *against state court proceedings otherwise proper under general equitable principles must be based on one of the specific statutory exceptions to § 2283 if it is to be upheld.* Moreover since the statutory prohibition against such injunctions in part rests on the fundamental constitutional independence of the States and their courts, the exceptions should not be enlarged by loose statutory construction. (398 U.S. at 286-287, emphasis added).

As discussed above, the Texas action in its present posture must be regarded as a state court proceeding for purposes of applying Section 2283. Hence, the district court may not enjoin that proceeding unless the injunction is permitted by one of the three enumerated exceptions to that section. It is well settled that the prohibitions of the statute are not "evaded by addressing the order to the parties" as was done in this case, rather than to the state court itself. (*Id.*, 398 U.S. at 287).

1. None of the Three Statutory Exceptions Applies in the Present Case

Under the prohibitions of 28 U.S.C. § 2283, for an injunction of state proceeedings to be proper it must be (1) "expressly authorized by Act of Congress," (2) "necessary in aid of [the district court's] jurisdiction," or (3) "to protect or effectuate [the district court's] judgments."

In the present case there is no express authorization by Act of Congress for issuance of the injunction by the district court, and none is asserted to exist by Texaco.

The "necessary in aid of" jurisdiction exception to Section 2283 refers to injunctions necessary to prevent conflicts going to the very authority of the federal courts. The exception was added to Section 2283 to permit injunctions pursuant to 28 U.S.C. § 1651 [All Writs Act] "and to

make clear the recognized power of the Federal courts to stay proceedings in State cases removed to the district courts." Reviser's Note to 28 U.S.C.A. § 2283. It is in this context that the Supreme Court's language in *Atlantic Coast Line Railroad Co.* v. *Brotherhood of Locomotive Engineers*, 398 U.S. 281, 295, 90 S.Ct. 1739, 1947 (1970), must be read:

> [I]f the District Court does have jurisdiction, it is not enough that the requested injunction is related to that jurisdiction, but it must be *"necessary in aid of"* that jurisdiction. While this language is admittedly broad, we conclude that it implies something similar to the concept of injunctions to "protect or effectuate" judgments. Both exceptions to the general prohibition of § 2283 imply that some federal injunctive relief may be necessary to prevent a state court from so interfering with a federal court's consideration or disposition of a case as to seriously impair the federal court's flexibility and authority to decide that case.

The "in aid of" jurisdiction condition is not satisfied by the coexistence of both state and federal actions related to similar subject matter. Indeed, most frequently, an injunction issues in aid of a federal court's jurisdiction when that federal court has obtained jurisdiction of a *res*, and enjoins state interference with that *res*.

An injunction directed against an in personam action in state court is not justified as "in aid of" the federal court's jurisdiction.

Jennings v. *Boenning & Co.*, 482 F.2d 1128, 1132 (3d Cir.), *cert. denied*, 414 U.S. 1025, 94 S.Ct. 450 (1973), made this clear:

> A controversy is not a *res*, and a controversy over a mere question of personal liability does not involve the possession or control of a *res*. Therefore, an action

> to enforce such a liability does not tend to impair or defeat the jurisdiction of the court in which a prior action for the same cause is pending. Both courts are free to proceed, each in its own way and in its own time, without reference to the proceedings in the other court.

Texaco here has sought damages and an injunction, the classical indicia of a purely *in personam* action. 2 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION § 32.14, at 459 (1973). It is the established rule that "where the first action is in personam . . . another action for the same cause in another jurisdiction is not precluded." *Kline* v. *Burke Construction Co.*, 260 U.S. 226, 230, 43 S.Ct. 79, 81 (1922).

This rule has been equally well recognized in this circuit:

> The policy of the anti-injunction statute, 28 U.S.C. §2283, is to prohibit enjoining of state court suits except in those situations where the real or potential conflict threatens the very authority of the federal court. *Vernitron Corp.* v. *Benjamin*, 440 F.2d 105, 108 (2d Cir.), *cert. denied*, 402 U.S. 987, 91 S.Ct. 1664 (1971).

In this case the district court has not assumed jurisdiction of any *res*, and the Texas action does not threaten in any way the jurisdiction of the district court.

Neither does the potential *res judicata* or collateral estoppel arising from the state action represent a threat to the district court's jurisdiction. In *Vernitron*, plaintiff brought a federal court action alleging essentially the same matters involved in a prior state court action plus several counts under the Securities Exchange Act of 1934, and simultaneously sought to enjoin the state proceedings. The district court granted the injunction as in aid of its

jurisdiction over the Securities Exchange Act issues, reasoning that collateral estoppel could arise in the federal action if findings of fact were made in the state proceeding, thereby "depriving" the federal court of its jurisdiction. In rejecting this interpretation of Section 2283, this Court stated:

> We disagree with this ultimate conclusion. There can be no question but that the doctrine of collateral estoppel would be applied in any instance where the state court had determined a factual issue arising in a subsequent federal litigation. Restatement of Judgments, Chap. 3, § 68(1) (1942); e.g. Connelly v. Balkwill, 174 F.Supp. 49 (N.D. Ohio 1959). *But, to justify an injunction of a state court action, "[i]t is not sufficient to show that the matter properly before a state court embraces issues within the compass of the federal suit, even if the federal court has exclusive jurisdiction over its case."* Greater Continental Corporation v. Schechter, 304 F.Supp. 325, 330 (S.D.N.Y. 1969), appeal dismissed 422 F.2d 1100 (2 Cir. 1970); accord, Lyons v. Westinghouse, 201 F.2d 510 (2 Cir. 1953). There is no reason why the state court cannot or should not determine issues of fact and state law relevant thereto as they come up in the state litigation. The subsequent effect of collateral estoppel, far from requiring the federal court to stay proceedings in the state court, is a result which should be welcomed to avoid the task of reconsidering issues which have already been settled by another competent tribunal. Klein v. Walston Co., 432 F.2d 936 (2 Cir. 1970); see, generally, Restatement of Judgments, Chap. 3, § 70 (1942). (440 F.2d at 108, emphasis added).

Accord, *Jennings* v. *Boenning & Co.*, 482 F.2d 1128, 1132 (3d Cir.), *cert. denied*, 414 U.S. 1025, 94 S.Ct. 450 (1973).

The presence of federal trademark issues in the district court action is of no assistance in justifying the improperly

granted injunction in this case. Initially, state and federal courts have concurrent jurisdiction over issues arising under the federal trademark statute. 28 U.S.C. § 1338(a).[4] See also 15 U.S.C. § 1121.[5] Moreover, the issues in the state court involve state trademark registrations, common law trademarks, and unfair competition, all of which are state law issues

There remains the statutory exception for injunctions necessary "to protect or effectuate [the district court's] judgments." Conclusion of Law No. 4 of the district court reads:

> 4. This Court has already denied a motion to transfer this case to Texas; an injunction may properly issue to protect the judgment of this Court. 28 U.S.C. § 2283.

This conclusion clearly is in error. Orders transferring or denying transfer of an action from one federal district court to another are not judgments within the exception to Section 2283.

The matter of whether a transfer order is a "judgment" which may be protected or effectuated under Section 2283 was squarely considered in the case of *Hyde Construction Co.* v. *Koehring Co.*, 388 F.2d 501 (10th Cir.), *cert. denied*,

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[4] Section 1338(a) provides: "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights, and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases."

[5] Section 1121 provides: "The district and territorial courts of the United States shall have original jurisdiction, the circuit courts of appeal of the United States and the United States Court of Appeals for the District of Columbia shall have appelate jurisdiction, of all actions arising under this Act, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties."

391 U.S. 905, 88 S.Ct. 1654 (1968). *Hyde* involved both federal and state court actions arising out of an alleged breach of contract. Koehring sought and obtained from an Oklahoma federal district court, to which the federal action had been transferred by order of the United States Court of Appeals for the Fifth Circuit, an injunction against proceedings in a Mississippi state court action involving the same claims. Hyde appealed. The Tenth Circuit held that the transfer order decided only where the action should be tried under federal convenience standards, and did not conflict in any way with proceedings in the Mississippi state court action. In dissolving the injunction, the Tenth Circuit said:

> Koehring argues further that the stay was permissible to protect or effectuate the federal judgment of the Fifth Circuit ordering the transfer to the Northern District of Oklahoma. We have held that the protection-of-judgments exception in § 2283 was included within the 1948 revision of the Judicial Code to overcome the effect of the decision in Toucey v. New York Life Insurance Co., 314 U.S. 118, 62 S.Ct. 139, 86 L.Ed. 100, and "to give Federal Courts the power to enjoin the relitigation of cases and controversies which have been fully adjudicated in such courts." It may be that in some situations the exception extends to interlocutory orders [citing Sperry Rand Corp. v. Rothlein, 288 F.2d 245, 249 (2d Cir. 1961)] but we have no reason here to recognize any such exception. . . . The Mississippi proceedings in no way conflict with the decision that the Northern District of Oklahoma is the more convenient federal forum. Our conclusion is that the Oklahoma federal injunction is not within any of the exceptions found in § 2283 and consequently is forbidden by that statute. (388 F.2d at 510, footnotes omitted).

Although Judge Pierce did not refer to the case of *Sperry Rand Corp.* v. *Rothlein,* 288 F.2d 245 (2d Cir. 1961), it was

asserted by Texaco below for the proposition that an interlocutory order could form the basis for an exception to the prohibitions of Section 2283. *Sperry*, however, is clearly distinguishable, not only on its facts but on its legal conclusions as well.

The injunction under consideration in *Sperry* was directed against use by one party of the fruits of its discovery efforts pursuant to a discovery order that had been entered by the court. After having obtained discovery in the federal court action, Sperry instituted a state court action in which it sought to use the evidence so obtained. Rothlein sought and obtained a restraining order against Sperry's use of that evidence. In permitting the injunction to stand, this Court said:

> [W]e hold that Judge Anderson's order did not "stay proceedings in a state court" within the meaning and purpose of § 2283. . . . No avenue available to [Sperry] in the state courts was closed by the order; only use of the fruits of the federal court discovery was denied.
>
> In carrying out the principle of comity announced by Congress in 28 U.S.C. § 2283, the federal courts must, of course, look not to the form which a requested order takes but to its actual impact. In this case it is not the fact that the order is addressed in terms to the introduction of evidence alone that persuades us that it is not the kind of injunction forbidden by § 2283. Rather, it is because the order does no more than deprive the plaintiff-appellant of the benefits of federal court discovery, which the district judge believed would be used inequitably, and because it leaves access to state processes otherwise unrestricted, that the injunction falls beyond the scope of § 2283. (288 F.2d at 248).

Although this Court in *Sperry* also held that the injunction in issue "was necessary to effectuate [the district

court's] earlier order relating to the priority of discovery," this holding was not necessary to its decision. Moreover, the state proceedings were not enjoined, as they were here. There is no basis in the present action for permitting the district court's injunction to stand. *Sperry* was clearly distinguished as to transfer motions in *Hyde, supra,* 388 F.2d at 510. See also *Commerce Oil & Refining Corp.* v. *Miner,* 303 F.2d 125, 128 (1st Cir. 1962).

The recent case of *Carter* v. *Ogden Corp.,* 524 F.2d 74 (5th Cir. 1975) is very much in point. Carter's original complaint was filed in Louisiana federal court, and claimed antitrust violations and breach of contract. Ogden subsequently brought an action against Carter in Delaware state court for breach of another provision of the same contract. Carter removed the Delaware state court action to Delaware federal court and moved to dismiss, transfer the action to Louisiana, or stay proceedings in the action. Ogden voluntarily dismissed the Delaware federal court action and immediately refiled it in Delaware state court, joining its parent corporation as a party plaintiff. Carter removed this second action to Delaware federal court, and moved the Louisiana federal court for an injunction against Ogden's filing or prosecuting any other actions against Carter. The district court, apparently believing that Ogden's Delaware actions were filed to harass Carter, and that those actions also were attempts by Ogden to destroy its jurisdiction, granted Carter's motion and entered an injunction. In reversing this injunction, the Fifth Circuit stated:

> This issue is decided by 28 U.S.C.A. § 2283: . . . This statute has been interpreted very strictly by the Courts. As this Court stated in *T. Smith & Sons, Inc.* v. *Williams,* 5 Cir., 1960, 275 F.2d 397, 407, "(t)he phrase

'where necessary in aid of its jurisdiction', . . . should be interpreted narrowly, in the direction of federal noninterference with orderly state proceedings."

Although in an in rem action it may be necessary for the federal court to enjoin the later state proceedings to protect its jurisdiction, . . . *an in personam action may proceed simultaneously in state and federal court and the federal court cannot enjoin the state action even if the federal suit was filed first. Donovan* v. *City of Dallas*, 1964, 377 U.S. 408, 84 S.Ct. 1579, 12 L.Ed.2d 409; *Kline* v. *Burke Construction Co.*, 1922, 260 U.S. 226, 43 S.Ct. 79, 67 L.Ed. 226; *Hyde Construction Co.* v. *Koehring Co.*, 10 Cir., 1968, 388 F.2d 501, 509, *cert. denied*, 391 U.S 905, 88 S.Ct. 1654, 20 L.Ed.2d 419.

This Court has been shown no evidence that the Delaware proceedings will interfere with the jurisdiction of the Louisiana Court to hear the case. *While it is true that the decision in the suit that first reaches judgment may be res judicata as to at least part of the other suit, . . . that is not sufficient basis for an injunction.* (524 F.2d at 76, footnotes omitted, emphasis added).

It is especially pertinent to note that the Delaware state court action had been removed to federal court at the time of the Louisiana federal court's injunction, and Ogden had at that time taken no action to remand the case to Delaware state court. The Fifth Circuit noted that "it is uncertain at this point whether the Delaware suit will be heard in the federal or state court," 524 F.2d at 76, n. 6, and nevertheless held Section 2283 to be controlling.

The *Carter* case is directly in point and clearly illustrates the direct conflict between the district court's injunction in the present case and Section 2283. The injunction must be vacated.

2. The District Court's Conclusions Of Law Are Erroneous And Are Based On Inapposite Authorities Which Do Not Involve Section 2283

The district court's Conclusions of Law, set forth in its Order dated November 6, 1975 (App. 321a-323a), have not focused on the limited powers of the federal courts to enjoin proceedings in state court actions, and reflect the court's erroneous Finding of Fact that the Texas action is now in federal court for the purposes of applying 28 U.S.C. § 2283. This is evidenced by Conclusion No. 6 which essentially equates the conditions under which concurrent state and federal actions may be enjoined. For example, Conclusion of Law No. 1 reads:

> 1. "An historic power of a court of equity is the power to enjoin a party from proceeding in another court because this proceeding circumvents the policy of the forum issuing the injunction; because it is vexatious and oppressive; where the injunction is necessary to protect the court's in rem or quasi in rem jurisdiction; and in other situations where equitable considerations warrant preclusion of the other proceeding." (7 *Moore's Federal Practice*, ¶ 65.19 (2d Ed. 1971).) (Footnote omitted.)

These are the criteria for injunction of concurrent *federal* actions. *Moore's* focus on the limited power of federal courts to enjoin state court proceedings follows the above quote by several pages:

> And from a very early time in our judicial history Congress has restricted the grant of injunctions by federal courts to stay state court proceedings. . . . Despite some disposition on the part of the lower court's [sic] to read [Section 2283] as a return to general equity principles, the Supreme Court has made it clear that injunctions against pending state court litigation are not to be issued unless the case falls

within the terms of the statute. (7 *Moore's Federal Practice* ¶ 65.19 (2d Ed. 1975).) (Footnotes omitted.)

The issue of removability of the Texas action was not presented to Judge Pierce, and that issue remains to be decided by the Texas court. Most certainly, the district court below cannot be deemed to have determined the propriety of Allied's remand motion without ever having seen it!

In its Conclusion of Law No. 2, the district court referred to the cases of *Montclair Electronics, Inc.* v. *Electra Midland Corp.*, 326 F.Supp. 839, 843 (S.D.N.Y. 1971), and *Telephonics Corp.* v. *Lindly & Co.*, 291 F.2d 445 (2d Cir. 1961), for the proposition that "[a] district court has the power to enjoin parties before it from litigating the same controversy in another forum." Both of the cited cases refer to the power of one federal district court to enjoin proceedings in another *federal* district court. The remaining Conclusions of Law likewise rely upon cases which involve an injunction by one federal court against proceedings in another *federal* court. *Cresta Blanca Wine Co.* v. *Eastern Wine Corp.*, 143 F.2d 1012 (2d Cir. 1944); *Coakley & Booth, Inc.* v. *Baltimore Contractors, Inc.*, 367 F.2d 151, 153 (2d Cir. 1966).

The *only* authority relied upon by the District Court that involved the issue of whether a federal court has the power to enjoin state court proceedings is *Atlantic Coast Line Railroad Co.* v. *Brotherhood of Locomotive Engineers*, 398 U.S. 281, 90 S.Ct. 1739 (1970), which reached a result precisely the opposite of that for which it was cited by the district court. The Supreme Court expressly acknowledged in *Atlantic Coast Line* that *in personam* actions may proceed simultaneously in state and federal court.

The district court, in its Conclusion of Law No. 6, quoted from *Atlantic Coast Line*:

> [E]ven if the Texas action is considered to be a state action, it is established law that "federal injunctive relief may be necessary to prevent a state court from so interfering with a federal court's consideration or disposition of a case as to seriously impair the federal court's flexibility and authority to decide that case." (App. 322a-323a)

The district court's reliance on this truncated excerpt of *Atlantic Coast Line* is misplaced. Reliance on virtually the same excerpt was criticized by the Third Circuit in the case of *Jennings* v. *Boenning & Co.*, 482 F.2d 1128, 1134 (3d Cir.), *cert. denied*, 414 U.S. 1025, 94 S.Ct. 450 (1973), which reversed an injunction against enforcement of a state judgment because "the district court lacked jurisdiction to issue the injunction." 482 F.2d at 1135.

The issue here is only the propriety of the injunction, since Allied's remand motion is a matter for determination by the Texas federal court and was not considered below. Indeed, the district court denied Allied's motion for modification of the injunction to permit a determination of the remand. At no place in Texaco's brief on that motion was it suggested that any issue even peripherally involved in the remand question was before the district court in New York. In fact, Texaco argued that Allied not be permitted to pursue its remand motion (App. 342a-346a). The district court agreed. That is clearly an error of law.

C. To Restore The Balance Between This Action And The Texas Action, Proceedings In This Action Should Be Stayed

The effect of the injunction wrongfully entered in this action by the district court has been the unwarranted delay of proceedings in the Texas action. To restore the status quo between this action and the Texas action as it existed

when the injunction was entered, proceedings in this action should be stayed until there have elapsed, following this Court's mandate, as many days as the injunction was in effect.

The balance between proceedings in the Texas action and those in this action can be restored only by such a stay of proceedings in this action. Failure to restore this balance is tantamount to permitting Texaco to obtain the benefit of its improperly obtained injunction against Allied. That a stay of proceedings in this action is the appropriate corrective measure is clearly shown by the case of *Hayes Industries, Inc.* v. *Caribbean Sales Associates, Inc.*, 387 F.2d 498 (1st Cir. 1968), wherein such relief was granted to restore balance between such proceedings upon reversal of an erroneous injunction prohibiting further proceedings in a state court action.

In *Hayes*, plaintiff had a sales distributorship contract with defendant, a Michigan corporation. Defendant cancelled the agreement. Upon learning that plaintiff believed the cancellation to be in violation of local (Puerto Rican) law, defendant filed a declaratory judgment action in Michigan state court for a determination of its rights. Plaintiff then filed its suit in Puerto Rico local court. That action was removed to U. S. District Court. The federal court enjoined defendant from further prosecution of its Michigan state court action, and defendant appealed. The United States Court of Appeals for the First Circuit vacated the injunction and ordered that:

> no activity of any sort in this case may take place in the district court, except at the request of the defendant and the consent of the court, until there have elapsed, following receipt of mandate, as many days as the injunction was in effect. (387 F.2d at 502)

Similar relief from an improper injunction was granted in *Canadian Filters (Harwich) Ltd.* v. *Lear-Siegler, Inc.*, 412 F.2d 577 (1st Cir. 1969), wherein the court of appeals instructed the district court to take no further proceedings in the action except with the consent of the defendant for a specified time, provided that the defendant proceed with reasonable diligence in the wrongfully enjoined action.

Defendant Allied and those in active concert with Allied are presently enjoined from proceeding with the action in Texas. Unless this court orders an appropriate stay of proceedings in the district court upon vacation of the injunction, plaintiff will have achieved a substantial advantage by improperly enjoining proceedings in the Texas action. Such a result should not be permitted, and a stay of the district court's proceedings should be ordered for a time corresponding to that of the injunction.

D. This Court Is Requested To Determine Whether The More Appropriate Forum For Trial Of This Action Is Texas Or New York

The authorities cited above establish that the present injunction cannot stand. However, inasmuch as it was a controversy concerning the appropriate forum that precipitated the injunction being issued, Allied respectfully requests that this Court review the forum issue. Allied submits that the present injunction would not have been proper in this case, even if proper removal jurisdiction already had been found in the federal court in Texas. This issue forms part of this appeal since it addresses the propriety of the injunction.

Alternatively, Allied requests this Court's review of the denial of the transfer motion, since factors to be considered are analogous to those involved in enjoining proceedings

in another federal court. This Court may review such an otherwise nonappealable order when it obtains jurisdiction of a case via a proper interlocutory appeal. *Semmes Motors, Inc.* v. *Ford Motor Co.*, 429 F.2d 1197, 1201 (2d Cir. 1970), *Barber-Greene Co.* v. *Blaw-Knox Co.*, 239 F.2d 774, 776 (6th Cir. 1957).

Allied submits that a Texas forum is appropriate in this case since Texas is where the sources of proof are to be found for both parties. The two principle issues in dispute in this case are

> (1) whether the prefix "TEX" is distinctive of Texaco and its products; and
>
> (2) whether the public is likely to confuse TEXGAS with TEXACO.

In addition, Allied intends to prove that Texaco is barred from its claim by laches and acquiescence for having permitted over twenty years' use of the TEX-GAS mark, much of the use being in Texas.

The sources of proof on these issues are in Texas and the law which must be applied is in significant part the law of Texas relating to common law trademark rights and unfair competition.

1. The District Court's Denial Of The Transfer Motion

The district court denied Allied's motion to transfer this case to the Southern District of Texas (Houston Division) by an Opinion and Order dated September 17, 1975 (App. 228a-236a). In that Opinion, the district court essentially held that Allied had not carried its burden to establish that the Southern District of Texas was more convenient than the forum chosen by Texaco (App. 236a).

Allied does not wish to rehash the location of the parties' *employee* witnesses considered by the district court. (Affi-

davits at App. 79a, 95a, 115a, 121a, 123a, 127a, 131a). Texaco's "essential" employee witnesses were predictably alleged to be convenient to New York, while Allied's employee witnesses were equally predictably found in Texas where the Union Texas Petroleum Division of Allied, responsible for all TEXGAS sales and marketing, is located (App. 84a).

The district court indicated this action was national in scope (App. 231a) and found that the convenience of Allied's witnesses did not overcome Texaco's choice of forum (App. 234a). The court did, however, acknowledge that Allied's laches defense would be more conveniently proven in Texas (App. 231a-232a; 234a; 235a-236a). That some advertising of TEXGAS products had reached New York, and that a pendent claim was stated under the New York trademark law were also noted as mitigating against transfer (App. 231a; 235a-236a).

If these were the sole factors to be considered in connection with transfer, Allied would not seek this review. But the district court took no note of the *sources of proof* available in the Texas transferee forum, and found erroneously that "the pertinent witnesses are . . . under the control of the parties before the court." This is *not* the case. The sources of proof on the issues of absence of distinctiveness of the TEX prefix, no likelihood of confusion, and laches are in Texas — and not in New York.

Hence, in seeking this review of the appropriateness of a New York versus a Texas forum, Allied requests that the Court consider the following four factors:

> 1. There are absolutely no TEXGAS trademarked products sold in New York City. Moreover, the gravamen of Texaco's claim for trademark infringement is Allied's use of the TEXGAS mark for motor oil and gasoline service station sales. TEXGAS gasoline and

motor oil is sold predominantly in Texas and there are no TEXGAS service stations within 900 miles of New York City (the closest station is in the vicinity of Memphis, Tennessee, App. 36a).

2. Texas is the locus of multiple third party witnesses associated with companies in the petroleum industry, which companies utilize the prefix "TEX" in their names (App. 76a-77a). Hence, Texas is the forum where Texaco's assertion that "TEX" has come to mean "TEXACO" should be determined.

3. The New York district court will be required to apply Texas state law to determine the common law trademark and unfair competition claims of Texaco.

4. Operations by Allied and predecessors of Allied involving use of the TEXGAS mark have been centered in Texas and the Southwest for over twenty years. Throughout that period, there have been transactions in Texas with Texaco establishing beyond peradventure that Texaco has acquiesced in Allied's use of the TEXGAS mark and is guilty of laches (App. 85a-89a).

2. There Are No TEXGAS Products Sold in New York City And No TEXGAS Gasoline Sales Within 900 Miles Of This Forum

The primary issue in this case is whether the marks TEXGAS and TEXACO are likely to cause confusion to the public. Allied believes that it is entitled to bring this fundamental issue before a court and jury which are in the area where the marks have been concurrently used. Only then can the court have readily available to it the evidence as to whether the public in that forum is confused.

Predictably Texaco would like to select and edit the evidence and bring it to a foreign forum, like the New York forum which has not been exposed to TEXGAS products, thereby to characterize Allied as an infringer of the well-known TEXACO mark.

Allied sells gasoline and LP gas under the TEXGAS mark. LP gas sales are carried on in most states east of the Rockies. Although no TEXGAS LP gas is sold in New York City, the TEXGAS LP gas sales are sufficiently diverse in locale that Allied does not predicate this argument on these LP gas locations. Texaco's LP gas business is not believed to be significant. Texaco does sell gasoline and automotive products under the TEXACO brand in all fifty states (App. 6a).

The gravamen of Texaco's complaint here goes to service station sales of gasoline, motor oil, and like automotive products. The closest TEXGAS service station to New York City is located in the vicinity of Memphis, Tennessee, over 900 miles away (App. 36a).

There are presently over 200 TEXGAS gasoline service stations — over half of which are in Texas (App. 82a-83a), the remainder being located in Florida or in the vicinity of Memphis, Tennessee (App. 36a). The sale of gasoline under the TEXGAS mark commenced in Texas in 1963, and has been continuous since that time (App. 83a).

In circumstances such as this, Allied should have ready access to trial witnesses who are members of the consuming public and who have encountered both trademarks. There is no such access in New York City, and insignificant access in New York State or surrounding states. Such access to the purchasing public exposed to the use of both marks has been considered very important by courts in trademark cases. In *Holiday Rambler Corp.* v. *American Motors Corp.*, 254 F.Supp. 137, 139 (W.D. Mich. 1966), the court considered a transfer motion in a trademark infringement case:

> Since the real question is primarily confusion in the minds of the consuming public between two trademarks, it appears that witnesses from the consuming public would be the key witnesses in the case, . . .

In *Pepsi-Cola Co.* v. *Dr. Pepper Co.*, 214 F.Supp. 377 (W.D. Pa. 1963), plaintiff, the owner of the trademarks PEPSI-COLA, PEPSI, and PEP-KOLA, brought its action against defendant in Pittsburgh. Dr. Pepper had only about one-fourth of one percent of its total sales in Pennsylvania, while both parties had substantial sales in Texas. In granting defendant's motion to transfer the action to Texas, the court noted:

> Any relationship to any possible confusion and deception in the minds of purchasers is available in Texas and is not as readily available in Pennsylvania, one reason being the disproportion of relationship in Pepsi-Cola and Dr. Pepper sales in this state. I have not overlooked plaintiff's contention that it is interested in Pep-Kola, only in the north eastern section of the country but as I see it now, the case will no doubt turn on defendant's use of the word "Pep". 214 F.Supp. at 382.

The parallel between Pepsi-Cola's "PEP" and Texaco's "TEX" is apparent, as is the fact of significant concurrent use of the respective marks in Texas, but not in Pennsylvania or New York. The confusion or mistake or deception as to the source or origin of the goods in the minds of the consuming public can be reliably determined only where goods are sold under both trademarks.

Texaco has alleged in its Complaint that actual confusion exists (App. 15a). Whomever Texaco intends to rely upon to prove this contention, these witnesses *are surely not in New York City since no Texgas products are sold in New York City.* Texaco did name some individuals in Maine

and elsewhere in the Northeast as potential witnesses. However, Allied submits that these witnesses were apparently selected for their location rather than their knowledge. Does it seem reasonable that, if confusion is *likely,* most of the evidence on the issue would be found remotely from where the greatest concentration of concurrent use of the TEXGAS and TEXACO marks exists? If there is a *likelihood* of confusion between TEXGAS and TEXACO, the greatest amount of evidence would be found in the areas where the TEXGAS mark is used.

Why then would Texaco wish this trial to be in New York? Simply because it insulates Texaco from the reservoir of witnesses with greatest relevant knowledge, and forces a trial by deposition before a forum and before a jury to which the TEXGAS mark is unknown.

As stated by the Supreme Court in *Gulf Oil Corp.* v. *Gilbert,* 330 U.S. 501, 511, 67 S.Ct. 839, 844 (1947):

> Certainly to fix the place of trial at a point where litigants cannot compel personal attendance and may be forced to try their cases on deposition, is to create a condition not satisfactory to court, jury or most litigants.

In *Polaroid Corp.* v. *Casselman,* 213 F.Supp. 379 (S.D.N.Y. 1962), the court recognized the importance of availability of live witnesses at trial in determining a transfer motion:

> Depositions, deadening and one-sided, are a poor substitute for live testimony especially where, as here, vital issues of fact may hinge on credibility. In determining credibility, there is nothing like the impact of live *dramatis personae* on the trier of facts. Thus, the transfer which defendant seeks will not only serve the convenience of witnesses but, more importantly, the ends of justice. (213 F.Supp. at 382-383, footnote omitted.)

3. Evidence As to the Alleged Distinctiveness of the Prefix "TEX" is Uniquely Available in Texas

Texaco has alleged that it has used the mark "TEXACO" and "the distinctive prefix 'TEX'," both of which are associated with one another and with the plaintiff's name (App. 8a), and further that the mark TEXACO and said other "TEX" marks "have come to be and are now recognized and relied upon by the public as identifying plaintiff's goods exclusively" (App. 13a).

This assertion of distinctiveness of a "TEX" family of marks is refuted by evidence which exists uniquely in the state of Texas. There are currently automobile service stations in Houston, Texas, operating under "TEXAS STAR" (App. 75a). (The analogy to the Texaco "man who wears the star" slogan is inescapable.) In addition, preliminary investigation yielded a number of companies in Texas and involved in the petroleum business having names using the prefix "TEX" (App. 76a-77a):

Houston, Texas

Tex-Seal Motor Oil Co.	—	cans and packages motor oil
Texakota Oil Co.	—	engaged in oil exploration and operation
Texas Star Oil Co.	—	operates gasoline stations under "Texas Star" Brand
Texcolada Oil Co.	—	oil and gas producer, sells to oil industry
Texoil Corp.	—	oil and gas exploration company with branch in Houston, based in Memphis, Tenn.
Texxon Motor Center	—	business unknown

Texas Gas and Oil Co. (formerly Tex Star Oil and Gas Corp. and currently maintaining a phone listing in Houston under that name)	—	oil and gas exploration, gas gathering and processing

Dallas-Ft. Worth, Texas

Tex-O-Lene Oil Co.	—	business unknown
Texaro Oil Co.	—	oil royalties
Texam Oil Division (Energy Resources Corp.)	—	crude oil producer
Texfel Petroleum Corp.	—	oil producer, located Los Angeles with branch office in Dallas

Elsewhere in Texas and Surrounding Area

Tex-Mem Oil Co.	—	oil producer, located in Wichita Falls, Texas
Tex-Sun Oil Corp.	—	dealer in oil leases, located Corpus Christi, Texas
Texcellere Corp.	—	oil and gas operator, located Corpus Christi, Texas
Texpet Oil Co.	—	wholesale and retail petroleum products located San Antonio, Texas
Tex-lon Oil Co.	—	sales of bulk petroleum products, located Austin, Texas
Texlan Oil Co.	—	oil and gas producers located Tyler, Texas
Texo Oil Corp.	—	oil and gas producers located Ardmore, Oklahoma

The above constitutes a list compiled following a brief investigation. It should be recalled that the name "Texaco" is a contraction of "The Texas Company" (App. 6a) and that the state of Texas has long been known as a source of crude oil and hence has become identified with petroleum products. These corporations bearing "TEX" names have existed and continue to exist in Texas, and it is by access to these sources of proof that the alleged distinctiveness of the "TEX" prefix claimed by Texaco can be disproven. Indeed, as expressed by a noted commentator on trademark law in respect to "family marks" supposedly identified by a distinctive prefix or suffix:

> Use of the prefix or suffix by others will negate the contention that purchasers would recognize that a party has a "family" of marks. (E. Vandenburgh, TRADEMARK LAW AND PROCEDURE § 5.34 at 184 (2d. ed. 1968).)

The evidence of use of the prefix "TEX" is clearly in Texas, and defendant should not be deprived of access to this proof at trial. Many of the witnesses involved will be third party witnesses who may be compelled to attend trial in Texas, and all of whom would find it more convenient and less expensive to attend a trial in Texas rather than New York.

4. The Unfair Competition And Common Law Trademark Infringement Alleged By Texaco Must Be Determined Under Texas State Law

The unfair competition law of the states is applied in determining counts of unfair competition over which a federal court exercises pendent jurisdiction under 28 U.S.C. § 1338(b). *Maternally Yours, Inc.* v. *Your Maternity Shop, Inc.*, 234 F.2d 538, 540, n.1 (2d Cir. 1956). This is the basis

of jurisdiction of Texaco's assertions of common law trademark infringement and unfair competition.

Accordingly, it will be necessary for the district court to apply state law to a significant extent. In fact, since there are *no* TEXGAS sales of gasoline or motor oil in New York, and no TEXGAS service stations in New York, all the allegations of unfair competition and common law trademark infringement related to these activities would appear to require application of the law of states foreign to New York.

The determination of which state law is to be applied commences by application of the conflicts law of the forum where the federal court sits. *Glenn* v. *Advertising Publications, Inc.*, 251 F.Supp. 889, 905 (S.D.N.Y. 1966). Under New York conflicts law, New York courts would apply the state law where the "center of gravity" of the entire controversy between Texaco and Allied exists. *Babcock* v. *Jackson*, 12 N.Y.2d 473, 240 N.Y.S.2d 743, 95 A.L.R.2d 1 (1963). *The center of gravity of this case is hardly in New York state.* There are no TEXGAS gasoline sales in New York state, no motor oil sales in New York state. Texas, on the other hand, is the focus of a long history of use of TEXGAS, and a long history of interaction and dealings between the parties. Texaco has a significant presence in Texas and has used its TEXACO mark to a significant extent in Texas (App. 73a-75a).

Therefore, by any rationale, Texas law will play a major role in the resolution of Texaco's pendent counts of common law trademark infringement and unfair competition.

Texaco also joined in its complaint a claim under the New York state trademark dilution statute (App. 18a-19a). Considering the amount of use of the TEXGAS

mark in New York compared with the remainder of the country, this claim is patently a sham designed to fabricate a New York connection to the case. It merits no further comment.

5. The TEXGAS Mark Has Been In Continuous Use For Over Twenty Years In Texas And Its Use Could Not Have Escaped Notice Of Texaco

The district court did acknowledge in its denial of the transfer motion that Allied's laches defense could be more conveniently proven in Texas. This is because Allied's predecessors used the TEXGAS mark in direct transactions with Texaco as early as 1956 (App. 86a). The use was sufficiently widespread as to preclude the escape of notice. Prior to 1960, Allied's predecessors maintained over one thousand railroad tank cars, many branded with the TEXGAS mark (App. 81a). Throughout the mid-to-late 1950's and thereafter, TEXGAS branded vehicles both picked up from and delivered to Texaco petroleum products (principally LP gas) in Texas. These deliveries were pursuant to contracts with Texaco (App. 86a-89a). Other business contacts with Texaco existed as well.

This day-to-day contact between Texaco personnel and the TEXGAS mark completely refutes Texaco's allegation in its Complaint that it first became aware of the use of TEXGAS in 1971 (App. 14a). The general awareness of the TEXGAS mark in the petroleum industry, which is significantly concentrated in Texas, also refutes Texaco's position. Yet the *proof* is in Texas. The New York forum again insulates Texaco from such evidence being brought forward in the form of live testimony. Again, Allied must accumulate proof via depositions which may be digested, summarized and referred to in brief but which do not speak to the court or jury.

6. The Forum Should Be One Which Makes The Sources Of Proof And Knowledgeable Witnesses Available To The Court And Jury

The factors considered on transfer are convenience of parties and witnesses, and the interests of justice. 28 U.S.C. § 1404(a). See, e.g., *Goldstein* v. *Rusco Industries, Inc.*, 351 F.Supp. 1314, 1317 (S.D.N.Y. 1972). Many cases have elaborated and explained these principles, but in reality each fact situation must be evaluated separately against these criteria. The decision in comity of whether to enjoin proceedings before another federal court should involve similar considerations.

Allied submits that either Beaumont or Houston provides a preferred forum. Beaumont is the home of Texaco's largest refinery (App. 74a), and Allied's refinery is located in nearby Winnie, Texas (App. 82a). The East Texas area around Beaumont has a significant number of TEXGAS gasoline stations, many of which are operated by independent dealers under branding agreements with Allied (App. 36a, 82a). The 100-mile subpoena range from Beaumont includes the Houston home office of Allied's Union Texas Petroleum Division, providing the court access by trial subpoena to the relevant sources of proof and witnesses. Houston provides access by subpoena to the same basic sources of proof. In both fora, the court would be sitting amidst a history of use of the TEXGAS and TEXACO marks extending over twenty years past.

The naming of witnesses at this early stage of a litigation of the present complexity, to establish "convenience for trial", is at best a mere speculation. Moreover, employee witnesses or agents of the party which each party might call on his own behalf in a case of this type, which involves no particular personal activity of any individual, may be

drawn from a pool of employees which will remain available to each party as a source of proof. It is the sources of proof outside the corporate parties which must be controlling in determining the forum. These sources of proof are certainly more accessible in Texas than New York. They are

> — the people who are or are not likely to be confused by the use of the TEXGAS mark;
>
> — the people who were or were not actually confused by observing the TEXGAS or TEXACO marks in the same marketplace;
>
> — the people who may or may not have used marks or names including the prefix TEX for so long as to establish no unique association of the prefix with TEXACO;
>
> — the people in Texaco and elsewhere in the petroleum industry who saw and dealt with the TEXGAS mark for over two decades of open use.

These are the sources of proof which will provide relevant evidence. The facts developed will be interpreted to a significant extent under Texas state law. Texaco has argued that there has been unfair competition in New York for which it seeks redress! If that be the case, how much more must have occurred in Texas, where the TEXGAS mark has been long and widely used.

It is only by reviewing the true sources of proof that the forum should be determined in this case. When this Court makes such a review, the decision that a trial in Texas would be "in the interest of justice" will be apparent.

Allied requests a review of the question of forum, and a determination dissolving the injunction against any proceedings in Texas, or, alternatively, a transfer of this action to the Southern District of Texas.

V.

CONCLUSION

The district court's injunction against proceedings in the Texas action is in direct conflict with the prohibitions of 28 U.S.C. § 2283 and must be vacated.

To balance the positions of the parties with respect to the pending state and federal court actions, the New York federal action should be stayed for a time *at least* equal to that during which the injunction was improperly entered.

Finally, following a review of the appropriateness of the New York versus the Texas forum, an order which effects the trial of this case in Texas, by dissolving the injunction as against any Texas proceeding or by transfer of the New York action to Texas, should be entered.

Respectfully submitted,

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ADDENDUM

1a

November 24, 1975

Mr. Tommy Allison
Deputy Clerk
United States District Court
P. O. Box 3684
Beaumont, Texas 77704

RE: Allied Chemical Corporation, et al v. Texaco Inc.
Civil Action No. B-75-360-CA

Dear Mr. Allison:

Pursuant to your request in our telephone conversation of November 24, 1975, I am forwarding herewith copies of Judge Pierce's Orders of November 6, 1975 and November 12, 1975.

As I noted in our conversation, we believe that any further processing whatever of this case by Judge Steger pending further proceedings in New York will raise unduly complex issues which may be avoided by referring the case to the Court's inactive docket. As an example I noted that the filing of further papers by Texaco while the Plaintiffs are restrained from responding to such papers, could be viewed as a bad faith exercise. On the other hand, the contentions which the Plaintiffs would have to make to support their Motion to Remand are arguably subject to the doctrine of estoppel by reason of the New York Court's Finding of Fact No. 1 in its November 6, 1975 Order.

It is our desire to handle this complex matter in the manner most satisfactory to Judge Steger.

Thank you for your consideration.

Very truly yours,
Signed: JOHN A. SIEGER
JOHN A. SIEGER

JAS/mw
Enclosures
CC: Mr. Wendell C. Radford
Mr. John G. Tucker
Mr. James B. Swire
Mr. John F. Lynch

JOHN G. TUCKER
BENJ. D. ORGAIN
CLEVE BACHMAN
STANLEY PLETTMAN
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January 10, 1976

Re: Allied Chemical Corporation, et al
vs. Texaco, Inc.; Civil Action B-75-360-CA
U. S. District Court, Eastern District of Texas,
Beaumont Division

Mr. Tommy Allison, Deputy Clerk
United States District Court
P. O. Box 3684
Beaumont, Texas 77704

Dear Mr. Allison:

I feel it is appropriate to bring you up to date with respect to what has been transpiring in the related case of Texaco, Inc., vs. Allied Chemical Corporation, United States District Court, Southern District of New York, 75-CIV-327.

Under date of November 24, 1975, Mr. John A. Sieger, for Texaco, sent you copies of Judge Pierce's orders of November 6 and November 12, 1975, in the New York action. By these orders, Judge Pierce enjoined Allied Chemical Corporation, its officers, agents, servants, employees and attorneys, and all those persons in active concert or participation with them, during the pendency of the New York action, from taking any steps in furtherance of or proceeding in any way with this cause, which was originally instituted as No. E-102,534, District Court, Jefferson County, Texas, and removed to this Court.

In the New York proceedings, Allied Chemical Corporation filed a Motion for Suspension or Modification of the Injunction pending appeal, and as shown by the enclosed copy of the order in such cause, this motion was, on December 1, 1975, denied.

Mr. Tommy Allison, Deputy Clerk
Page 2
January 10, 1976

We have been informed that Allied has now taken an appeal from this injunction to the United States Court of Appeals, 2d Circuit, where it is now pending.

Under these circumstances, I hope it is appropriate by this means to acquaint you and Judge Steger of the status of the matter, and to suggest that this cause be put on the inactive docket pending the outcome of the appeal. I did not want to file any formal motion which might put Allied and its attorneys in the position of violating Judge Pierce's injunctive orders, should they respond.

I will, of course, undertake to advise you and Judge Steger of the outcome of the appeal in the injunctive proceedings.

Very truly yours,
ORGAIN, BELL & TUCKER
/s/ John G. Tucker

JGT:dw

Enclosure

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COPY RECEIVED

Time 2:35 P.M.

Date 1/23/76

ROGERS HOGE & HILLS
Attorneys for Plaintiff-Appellee